

## COOMA-MONARO SHIRE COUNCIL – CIP

### NOT FIT

|                                    |   |                                     |                             |        |
|------------------------------------|---|-------------------------------------|-----------------------------|--------|
| Area (km <sup>2</sup> )            | 5,208   | Population                          | 2011                        | 10,150 |
| OLG Group                          | 11  |                                     | (2031)                      | 10,750 |
| ILGRP Group                        | D   | Merger with Bombala                 | 2011                        | 12,650 |
|                                    |   |                                     | (2031)                      | 12,950 |
|                                    |   | Merger with Bombala and Snowy River | 2011                        | 20,400 |
|                                    |   |                                     | (2031)                      | 21,600 |
| Operating revenue (2013-14)        | \$17.5m   | TCorp assessment                    | Weak FSR<br>Neutral Outlook |        |
| ILGRP options (preference in bold) | <b>Merge with Bombala and Snowy River</b> (both yellow) or Council in South East JO (all shaded). |                                     |                             |        |



|                    |   |                                 |
|--------------------|---|---------------------------------|
| Assessment summary | Scale and capacity                      | <b>Does not satisfy</b>         |
|                    | Financial criteria:                     | <b>Does not satisfy overall</b> |
|                    | • Sustainability                        | Does not satisfy                |
|                    | • Infrastructure and service management | Satisfies                       |
|                    | • Efficiency                            | Satisfies                       |

#### Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- Scale and capacity is a threshold criterion which councils must meet to be Fit for the Future (FTFF), therefore the council is not fit.
- The council does not satisfy the financial criteria overall. Although the council satisfies the infrastructure and service management and efficiency criteria, it does not satisfy the sustainability criterion.
- The council does not satisfy the sustainability criterion because its forecast to meet the operating performance ratio benchmark includes the assumed approval of a large proposed special variation which may be unreasonable.
- We consider the operating performance ratio benchmark is a key measure of financial sustainability that all Fit for the Future (FTFF) councils should meet, therefore the council is not fit.

#### Scale and capacity – does not satisfy

- The council was required to consider the ILGRP preferred option and demonstrate its proposal is as good an option to achieve the scale and capacity objectives for the region.
- Most of the efficiency strategies from the council improvement proposal could be realised in addition to the merger gains under the merger alternative.
- A merged council is likely to have improved capabilities and a more robust revenue base, greater scope to undertake new functions and projects, improved integrated planning and regional collaboration.
- Our analysis of KPMG's business case submitted by Cooma-Monaro, for a merger of Cooma-Monaro, Bombala and Snowy River Councils, suggests the merger generates benefits to the local communities of \$22m over 20 years (including the Government grant). This represents larger benefits than the three councils' share services arrangement and suggests merging is likely to be better than Cooma-Monaro's stand-alone proposal.

#### Sustainability - does not satisfy

- The council does not satisfy the sustainability criterion.
- The operating performance ratio is forecast to steadily improve from -25% in 2014-15 to 1% by 2024-25. The council relies on the successful application for and adoption of a special variation from 2016-17 of 65.0% cumulative over 9 years (40.1% above the rate peg). Our analysis indicates this assumption is unreasonable as the council's average residential rates were higher than the OLG Group 11 average in 2013-14, the council has not yet commenced consultation on the special variation and the planned increase is relatively large in terms of size and duration.
- Without the special variation, we estimate the ratio would improve at a slower rate to -8% by 2024-25. This is below the benchmark.
- The council forecasts a small improvement in the building and infrastructure asset renewal ratio from 43.8% in 2014-15 to 44.6% in 2019-20. However, this remains well below the benchmark.
- The own source revenue ratio is above the benchmark in 2019-20.

**Infrastructure and service management – satisfies**

- The council satisfies the criterion for infrastructure and service management based on meeting the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.

**Efficiency - satisfies**

- The council satisfies the criterion for efficiency based on a decline in real operating expenditure over the period to 2019-20.

**Other relevant factors**

|                              |  |
|------------------------------|--|
| Social and community context | Cooma-Monaro Council states the town of Cooma is the 'capital of the Snowy Mountains', being the social and commercial hub of the region. The council indicates residents of the smaller villages feared their voice would be lost under a merger and influencing Council for the betterment of their community would become even harder.  |
| Community consultation       | Cooma-Monaro Shire Council undertook formal and informal community consultation but did not complete a survey. During the consultation process, residents raised issues including the potential loss of local representation, lack of understanding of the needs of small villages if the councils were to merge, concerns about job losses and questioned the potential for shared services given the distances. However, some residents believe the merged entity would have improved purchasing power, more credibility to advocate and more influence. |
| Water and/or sewer           | Cooma-Monaro Shire Council supplies water and wastewater services to its community and its water supply business currently meets the NSW Government's Best Practice Management Framework. The council states the water and sewer businesses break-even but the infrastructure backlog is about \$35m. We consider the council's water business would affect scale and capacity insofar as it allows the council to employ specialist staff.  |
| Submissions                  | We did not receive any submissions relating to Cooma-Monaro Council's Council Improvement Proposal.  |